

Current COVID-19 Support Programs are Inadequate for Atlantic Indigenous Communities and Businesses

By Fred Bergman, Senior Policy Analyst, APEC

Atlantic Indigenous businesses and communities are not immune from the economic dislocation sweeping across the region and nation due to COVID-19. The federal government has announced specific Indigenous funding as part of a broader package of support measures to respond to the economic crisis. However, given the pre-existing vulnerabilities facing Indigenous communities and businesses, the current support may be inadequate.

Indigenous communities and businesses are particularly vulnerable for several reasons, including:

- the limited own-resource revenues of Indigenous governments
- the small size and rural or remote location of many Indigenous communities with limited broadband access
- a high unemployment rate pre-COVID-19¹
- a large Indigenous youth population when young people are seeing the largest reduction in employment during the current economic crisis²

¹ In 2016, the unemployment rate for Atlantic Indigenous persons living off-reserve was 17%, approximately 6 percentage points higher than for non-Indigenous people; for those on-reserve, the unemployment rate exceeded 29%.

Bergman, Fred (2018): *Atlantic Indigenous Economic Outcomes and Opportunities*. Halifax: APEC. July 23, 2018.

<https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=365&site.page.id=51001>

² Atlantic Canada's Indigenous population is much younger than the non-Indigenous population with half less than 35 years of age. Ibid.

Atlantic youth (ages 15-24) were the hardest hit with over the last two months with employment down 30%. One in four (24%) youth are now unemployed.

APEC (2020): *COVID-19 in Atlantic Canada. Atlantic Labour Market Impacts of COVID-19*.

<https://www.apec-econ.ca/covid/economicimpacts/labourapr/>

- a large number of self-employed and sole proprietors with many female-run businesses³
- existing challenges accessing capital⁴
- a high dependence of the Atlantic Indigenous economy on industries most affected by COVID-19, such as retail, entertainment and recreation, accommodation and food services, tourism, transportation and major projects.⁵

Indigenous communities also face challenges managing COVID-19 health risks because of their limited resources, including limited health care on-reserve, sub-standard housing and overcrowding, and inadequate clean water for drinking and hand-washing. There have been no confirmed cases of COVID-19 in Atlantic Indigenous communities to date. **However, there were 205 confirmed cases on Indigenous reserves in the rest of Canada as of May 21, 2020.**⁶

The federal government has announced about \$872 million in targeted Indigenous funding so far as part of Canada's COVID-19 Economic Response Plan. This includes \$307 million for Indigenous businesses,⁷ \$305 million for Indigenous governments through the Indigenous Community Support Fund,⁸ \$100 million in Indigenous health funding, up to \$75 million for Indigenous post-secondary education students, another \$75 million for Indigenous peoples living in urban centres and off reserve and \$10 million for shelters to protect against Indigenous family violence.

Nunatsiavut, a self-government organization that represents the Inuit in Labrador, will receive approximately \$5.4 million from the Indigenous Community Support Fund.⁹ This is about 40% of its own-source revenues.¹⁰ It is not yet clear if this will be sufficient as governments across

³ The 2016 census shows that 39% of Atlantic Indigenous self-employed (including sole proprietors) and 50% of Atlantic Indigenous paid-employees were women, respectively.

Bergman, Fred (2019): *Highlighting Successful Atlantic Indigenous Businesses*. Halifax: APEC. <https://www.apec-econ.ca/research/view/?do-load=1&publication.id=381&site.page.id=50002>.

⁴ Approximately 28% of Atlantic Indigenous businesses surveyed by APEC in 2019 were turned down for financing during or since start-up. Indigenous businesses highlighted difficulties obtaining financing and equity and the high cost of borrowing. Ibid.

⁵ APEC (2020): *COVID-19 in Atlantic Canada. Industry Impacts*. <https://www.apec-econ.ca/covid/industry/>

⁶ Indigenous Services Canada (2020): *Coronavirus (COVID-19) and Indigenous communities. Confirmed cases of COVID-19*. <https://www.sac-isc.gc.ca/eng/1581964230816/1581964277298>

⁷ Indigenous Services Canada (2020): *Relief measures for Indigenous businesses*. <https://www.sac-isc.gc.ca/eng/1588079295625/1588079326171>

⁸ Indigenous Services Canada (2020): *Indigenous Community Support Fund*. <https://www.sac-isc.gc.ca/eng/1585189335380/1585189357198>

⁹ APEC estimates Nunatsiavut is twice as remote as other Atlantic Indigenous communities. The Index of Remoteness is a continuous measure, ranging from zero to one, where zero corresponds to the minimum value of remoteness and one corresponds to the maximum value of remoteness.

Statistics Canada Daily (2020): *Index of Remoteness, version 1.0*. April 3, 2020.

<https://www150.statcan.gc.ca/n1/daily-quotidien/200403/dq200403d-eng.htm?CMP=mstatcan>

¹⁰ Nunatsiavut Government (2019): *Budget 2019-20 focuses on program enhancement and implementation of key strategic initiatives*. News release. March 6, 2019. <https://www.nunatsiavut.com/wp-content/uploads/2019/03/MEDIA-RELEASE-Budget-2019-20-focuses-on-program-enhancement-and-implementation-of-key-strategic-initiatives.pdf>

the region are facing substantial fiscal impacts due to lower revenues and higher costs associated with COVID-19.¹¹

However, funding for the 35 Atlantic First Nation communities seems insufficient.¹² They will receive a total of \$16 million from the Indigenous Community Support Fund, about 5% of the national total. Funding for each community will be allocated according to population, remoteness and community well-being. In many communities, this funding will equate to a small percentage share of their Indigenous government own-source revenues. For example, Millbrook First Nation's own-source revenues were \$40 million in fiscal year 2018/2019.¹³ However, the \$0.5 million in COVID-19 emergency funding amounts to 1% of its own-source revenues.¹⁴ This is inadequate to compensate for a large reduction in own-source revenues.

APEC estimates there are approximately 850 Atlantic Indigenous businesses.¹⁵ These businesses generated \$1.6 billion in revenue in 2018, employed almost 12,000 people and paid \$300 million in wages and salaries. These firms benefit the entire region as 40% of their employees were non-Indigenous persons.

Up to \$307 million in federal funding is available to help small and medium-sized Indigenous businesses, which could amount to \$25 million or more for Atlantic firms.¹⁶ This includes short-term, interest-free loans and non-repayable contributions through Aboriginal financial institutions such as the Ulnooweg Development Group in Atlantic Canada.¹⁷ Although this amounts to 1.2% of the \$25 billion available through the Canada Emergency Business Account program, Indigenous business may apply through either program.¹⁸ Both programs provide up to \$40,000 in credit, including a non-repayable contribution of up to \$10,000.

This funding would amount to a maximum of \$34 million in incremental financing, including a grant of \$8.5 million, if all Atlantic Indigenous businesses received the full \$40,000. However, this is a mere 2% of their annual revenues. It is likely inadequate to meet some of their basic fixed costs. APEC estimates that revenues for all Atlantic business declined by 27% in the first

¹¹ Chaundy, David (2020): *The unfolding economic impacts*. APEC webinar. April 28, 2020. <https://www.apec-econ.ca/covid/covidwebinar/april28/>

¹² Including Nunatsiavut and Qalipu First Nation.

Statistics Canada (2011): *List of Indian band areas and the census subdivisions they include*. Ottawa: Statistics Canada. 2011 Census. <https://www12.statcan.gc.ca/nhs-enm/2011/dp-pd/aprof/help-aide/a-tab.cfm?Lang=E>

¹³ Millbrook First Nation (2019): *Consolidated Financial Statements, Millbrook Band Council, March 31, 2019*. <https://www.millbrookband.com/financial-documents>

¹⁴ Millbrook First Nation (2020): *COVID-19 Funding Opportunities. Indigenous Community Support Fund*. April 3, 2020. <https://www.millbrookband.com/news/2020/4/3/covid-19-funding-opportunities>

¹⁵ Bergman, Fred (2019). Op. cit.

¹⁶ Assumes 75% of Atlantic Indigenous firms apply for and receive the maximum funding available.

¹⁷ Indigenous Services Canada (2020): *Relief measures for Indigenous businesses*. <https://www.sac-isc.gc.ca/eng/1588079295625/1588079326171>

¹⁸ National Aboriginal Capital Corporations Association (2020): *COVID-19 Economic Response Plan: Support Programs for Indigenous Businesses. FAQs for Indigenous Business Businesses*. Ottawa: National Aboriginal Capital Corporations Association. April 23, 2020. <https://nacca.ca/wp-content/uploads/2020/04/NACCA-FAQs-for-Indigenous-Businesses.pdf>

quarter of 2020 relative to the first quarter in the prior year.¹⁹ If sole proprietors are not eligible for the new funding this would be a serious restriction as 39% of Atlantic Indigenous businesses are sole proprietorships.²⁰ Sole proprietors are now eligible for funding from the Canada Emergency Business Account program, but initially were ineligible.

Some provinces have their own COVID-19 lending programs to fill gaps in federal funding. For example, in Nova Scotia a sole proprietor can apply for the Small Business Loan Guarantee Program and the COVID-19 Small Business Credit and Support Program. Eligible small businesses can apply for a loan of up to \$25,000 through participating provincial credit unions.²¹ And Ulnoweg Development Group has implemented measures to help support Aboriginal businesses through loan +payment deferrals, interest relief and a one-time grant for consulting services to help entrepreneurs access and apply for COVID-19 support programs.

Indigenous businesses that have suffered a large reduction in revenues can apply for the 75% Canada Emergency Wage Subsidy. However, as with non-Indigenous businesses, if they are completely shutdown due to COVID-19 they may not be able to afford the remaining 25% to retain their employees. This may be a particular issue for seasonal Indigenous businesses in tourism, accommodation and food services and retail. The Indigenous Tourism Association of Canada set-up the COVID-19 Development Stimulus Fund, which provides Indigenous tourism businesses with grants of up to \$25,000 each. Over 600 Indigenous tourism businesses across Canada have applied, requesting \$14.4 million in funding.²²

Atlantic Canadian businesses not eligible for existing federal emergency programs can apply for support from the \$110 million Regional Relief and Recovery Fund, including:

- \$67 million through the Atlantic Canada Opportunities Agency (ACOA) for small and medium-sized businesses that provide products and services to other businesses or support services to other businesses; and
- \$43 million through the Atlantic Association of Community Business Development Corporations to support community businesses such as restaurants and retailers in small, rural and remote communities across the region.²³

¹⁹ Statistics Canada Daily (2020): *Canadian Survey on Business Conditions: Impact of COVID-19 on businesses in Canada, March 2020*. Ottawa: Statistics Canada. April 29, 2020.

<https://www150.statcan.gc.ca/n1/daily-quotidien/200429/dq200429a-eng.htm>

²⁰ CIBC (2020): *Canada Emergency Business Account FAQ*. <https://novascotia.ca/coronavirus/support/>

²¹ Government of Nova Scotia (2020): *COVID-19: support for Nova Scotians and businesses. COVID-19 Small Business Credit and Support Program*. <https://novascotia.ca/coronavirus/support/>

²² Indigenous Tourism Association of Canada (2020): *Close to 100 Indigenous tourism businesses receive \$1.850 million in stimulus funds from phase one of Indigenous Tourism Association of Canada's COVID-19 Development Stimulus Fund*. News release. May 14, 2020.

<https://indigenoustourism.ca/corporate/indigenous-tourism-businesses-receive-stimulus-funds-from-phase-one-of-itac-covid-19-development-stimulus-fund/#more-13610>

²³ Atlantic Canada Opportunities Agency (2020): *Regional Relief and Recovery Fund (RRRF)*. <https://www.canada.ca/en/atlantic-canada-opportunities/campaigns/covid19/rrrf.html>

The Regional Relief and Recovery Funding is repayable over a three-year period, after the grace period ends on December 31, 2022. APEC's 2019 report highlighted ACOA and the Atlantic Association of Community Business Development Corporations provided funding to Indigenous community projects and businesses, but it is unclear how much of the \$110 million will be allocated to Indigenous businesses.

Indigenous businesses may be eligible for other federal emergency programs administered by Export Development Canada and the Business Development Bank of Canada, such as the Business Credit Availability Program.²⁴ Most of this funding is geared towards small and medium-sized firms, which may benefit some Indigenous businesses that require more emergency funding than available through Aboriginal Financial Institutions like UInooweg Development Group.

Indigenous sole proprietors that are shutdown due to COVID-19 are eligible for the Canada Emergency Response Benefit. Indigenous persons are also eligible for the \$2,000 per month for individuals laid-off, ill or caring for a family member with COVID-19.

APEC is not the only voice advocating for sufficient funding for Indigenous communities and businesses.²⁵ Besides ensuring that funding is adequate for the needs of Indigenous businesses, programs need to be easy to apply for with funds delivered quickly.

Federal and provincial governments should urgently review their existing Indigenous support programs to ensure they are effective and efficient to close funding gaps. This is vital to help protect and sustain Indigenous communities and businesses and strengthen the regional economy.

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²⁴ Business Development Bank of Canada (2020): *Business Credit Availability Program (BCAP)*.

<https://www.bdc.ca/en/pages/special-support.aspx>

²⁵ Fournier, Stefan (2020): *Responding to COVID 19 - Indigenous communities can't be expected to do more with less*. Ottawa: Conference Board of Canada. Commentary. May 1, 2020.